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C O N F I D E N T I A L SECTION 01 OF 02 TAIPEI 001434

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SUBJECT: AIT CHAIRMAN BURGHARDT AND DPP CHAIRMAN YU DISCUSS
TAIWAN POLITICS AND BILATERAL ISSUES

REF: TAIPEI 01384

Classified By: AIT Director Stephen M. Young,
Reasons: 1.4 (b/d)

¶1. (C) Summary: DPP Chairman Yu Shyi-kun on June 16 told AIT Chairman Burghardt that he is optimistic the DPP can win the 2008 presidential and legislative elections if it remains unified. The key to victory will be tapping into a growing identification with Taiwan and promoting reform and social justice issues. Presidential candidate Frank Hsieh's the biggest challenge right now is healing wounds and bringing the party together after contentious presidential and legislative primaries. Yu maintained that promoting referenda on reclaiming KMT party assets and joining the UN under the name "Taiwan" would boost DPP election prospects. Burghardt stressed to Yu that pressing ahead with the UN referendum would prompt the U.S. to publicly oppose such a move. Yu expressed hope the U.S. would seriously consider negotiating an FTA with Taiwan. Burghardt emphasized to Yu the importance of continued progress in TIFA and the need for Taiwan to further open its economy. Burghardt and Yu also discussed arms procurement and the importance of strengthening Taiwan's self defense capabilities. End Summary.

Election Politics

¶2. (C) AIT Chairman Burghardt and DPP Chairman Yu Shyi-kun on June 16 discussed Taiwan election politics, DPP plans to hold a United Nations-related referendum, and the possibility of a U.S.-Taiwan Free Trade Agreement. Yu said he is optimistic that the DPP can win the 2008 presidential and legislative elections if it remains unified. The key to victory will be tapping into a growing identification with Taiwan and promoting reform and social justice issues. Presidential candidate Frank Hsieh's biggest challenge now is healing wounds and uniting the party after highly contentious presidential and legislative primaries. Hsieh is already making progress on that front, Yu noted, citing Hsieh's appointment of Legislator Bikhim Hsiao, who lost her primary contest to a Hsieh supporter, as his campaign's international spokesperson.

¶3. (C) Yu said DPP headquarters will coordinate very closely

with the Hsieh campaign team throughout the election. While Hsieh might seek input from the party, the President, and others in selecting his vice presidential running mate, Yu suggested the decision would ultimately be left to Hsieh to make on his own. You predicted that holding the presidential and legislative elections simultaneously on January 12, 2008 would give Hsieh a small boost, but the DPP legislative candidates would benefit the most from the increased voter turnout. Although KMT LY candidates will buy votes, Yu asserted, that will have little effect on the choices voters make for president.

DPP to Push UN Referendum

14. (C) Yu said the DPP also stands to boost its election prospects by promoting referenda on reclaiming KMT party assets and joining the UN under the name "Taiwan." Such issues put the KMT on the defensive and complicate their election strategy, he explained. Yu noted that the DPP has already collected over 1.2 million signatures on the KMT party assets referendum and also has collected 100,000 signatures on the UN referendum. This is enough to move the proposal to the next stage, which will require more than 800,000 signatures to put the referendum on the ballot. Chairman Burghardt stressed to Yu that pressing ahead with the UN referendum would prompt the U.S. to state publicly its opposition to such a move. You expressed appreciation for Burghardt's candor, but insisted that the DPP will nevertheless continue to push the issue because a majority of people on Taiwan support entering the UN under the name "Taiwan." The DPP "must" listen to the people, Yu argued.

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FTA

15. (C) Yu expressed hope the U.S. would seriously consider signing a Free Trade Agreement (FTA) with Taiwan. Burghardt informed Yu that there are extensive ongoing discussions between the U.S. and Taiwan on important trade issues within the Trade and Investment Framework Agreement (TIFA). Further progress in TIFA is the priority now. Because U.S. businesses invested in China might yield to Chinese pressure and be unwilling to support a U.S.-Taiwan FTA, Yu said, he hoped the USG would strongly support an FTA. "As a matter of principle," Burghardt stressed, Chinese views would have little bearing on the issue of a possible U.S.-Taiwan FTA in the future. Rather, he urged, Taiwan should "do more" to court support from the U.S. business community by taking further steps to open its economy to foreign investment and competition.

On Defense Budget

16. (C) Yu expressed appreciation for U.S. support to improve Taiwan's defense capabilities in the face of China's rapid military buildup. Noting the importance of U.S. influence in convincing the LY to pass the 2007 defense budget, Yu said the DPP hopes that funding will be restored in the future for some items that were cut. Burghardt pointed out that while approval of the defense budget on June 15 was a positive step, Taiwan needs to do more to boost its defense, including passing the budget to purchase PAC-III missiles. Burghardt noted in passing that LY member Su Chi, an advisor to KMT candidate Ma Ying-jeou, had claimed to him earlier the same day that the PAC-III's would require a referendum for approval. Burghardt stressed to Yu that he and the Director had very firmly rejected Su's legal sophistry, prompting Ma and Su to back away from the argument (Reftel). (Note: Chairman Burghardt's comments to Yu on this specious KMT argument were reported by the Liberty Times on June 18, after being leaked by a DPP official. AIT subsequently passed back to Yu's office our unhappiness over this breach of

confidentiality. End Note.)

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Comment

17. (C) Chairman Yu and President Chen appear to us to be pursuing coordinated or parallel efforts to hem DPP Presidential candidate Frank Hsieh in to Deep Green positions, despite his pragmatically-based dramatic first round victory in the DPP primary this May. As we have argued elsewhere, Hsieh's challenge will be to sell his own vision of Taiwan's future without facing an open break with Yu, Chen and other old comrades in the Green movement. We believe Hsieh is up to this task, and his late July Washington meetings provide our best opportunity to explain our policy and pave the way for a solid working relationship with Hsieh if he is elected Taiwan's next President.

YOUNG